THE LANDSCAPE OF PEER TO PEER / MARKETPLACE LENDING

CAMBRIDGE CENTRE FOR ALTERNATIVE FINANCE
UNIVERSITY OF CAMBRIDGE
JUDGE BUSINESS SCHOOL
CAMBRIDGE CENTRE FOR ALTERNATIVE FINANCE (CCAF) RESEARCH HIGHLIGHTS

- Established in 2015 at the University of Cambridge Judge Business School
- 30 Research Publications to Date
- 3500+ FinTech Platforms Surveyed on a Yearly Basis Spanning 185 countries
- 300+ Industry and Academic Research Partners
- 40,000 Users of Alternative Finance Surveyed with £10bn Granular-Level Transaction Data Analyzed
- 300+ Policy and Regulatory Citations to Date
## A Taxonomy of Online Alternative Finance (Digital Credit and Capital Raising)

<table>
<thead>
<tr>
<th>Alternative Finance Model</th>
<th>Abbreviations</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Peer-to-Peer/Marketplace Consumer Lending</strong></td>
<td>P2PC</td>
<td>Individuals or institutional funders provide a loan to a consumer borrower</td>
</tr>
<tr>
<td><strong>Peer-to-Peer/Marketplace Business Lending</strong></td>
<td>P2PB</td>
<td>Individuals or institutional funders provide a loan to a business borrower</td>
</tr>
<tr>
<td><strong>Peer-to-Peer/Marketplace Property Lending</strong></td>
<td>P2PP</td>
<td>Individuals or institutional funders provide a loan to a property borrower</td>
</tr>
<tr>
<td><strong>Reward-based Crowdfunding</strong></td>
<td>Reward CF</td>
<td>Backers provide finance to individuals, projects or companies in exchange for non-monetary rewards or products</td>
</tr>
<tr>
<td><strong>Real Estate Crowdfunding</strong></td>
<td>Real Estate CF</td>
<td>Individuals or institutional funders provide equity or subordinated-debt financing for real estate</td>
</tr>
<tr>
<td><strong>Equity-based Crowdfunding</strong></td>
<td>Equity CF</td>
<td>Individuals or institutional funders purchase equity issued by a company</td>
</tr>
<tr>
<td><strong>Donation-based Crowdfunding</strong></td>
<td>Donation CF</td>
<td>Donors provide funding to individuals, projects or companies without expectations of monetary or material return</td>
</tr>
<tr>
<td><strong>Invoice Trading</strong></td>
<td>-</td>
<td>Individuals or institutional funders purchase invoices or receivable notes from a business at a discount</td>
</tr>
<tr>
<td><strong>Debt-based Securities</strong></td>
<td>-</td>
<td>Individuals or institutional funders purchase debt-based securities, typically a bond or debenture at a fixed interest rate</td>
</tr>
<tr>
<td><strong>Balance Sheet Business Lending</strong></td>
<td>BSB</td>
<td>The platform entity provides a loan directly to a business borrower</td>
</tr>
<tr>
<td><strong>Profit Sharing Crowdfunding</strong></td>
<td>-</td>
<td>Individuals or institutions purchase securities from a company, such as shares or bonds, and share in the profits or royalties of the business</td>
</tr>
</tbody>
</table>
Global Online Alternative Finance Total Market Volume 2013-2017 ($Billions)

- 2013: $11.06B
- 2014: $38.56B
- 2015: $138.97B
- 2016: $290.28B
- 2017: $418.52B

Total: $1,088.83B
2017 Global Total Volume by Model (Debt models = 87% of the total volume)

- P2PC: 243.73 Billion
- P2PB: 102.70 Billion
- P2PP: 9.14 Billion
- Inovice Trading: 7.68 Billion
- RealEst CF: 2.81 Billion
- Equity CF: 1.38 Billion
- Reward CF: 0.76 Billion
- Donation CF: 0.47 Billion
European Online Alternative Finance Market Volumes 2013-2017 €Bn (Ex. UK)

- 2013: €0.33b
- 2014: €0.60b (82% increase)
- 2015: €1.02b (72% increase)
- 2016: €2.06b (102% increase)
- 2017: €3.37b (63% increase)
Alternative Finance Market Volume per Capita vs GDP per Capita (€EUR) 2017

The diagram illustrates the relationship between online alternative finance volume per capita and GDP per capita for various countries in 2017. The scatter plot shows a positive correlation, as indicated by the trend line with an R² value of 0.1641. Countries are plotted on a logarithmic scale, with GDP per capita on the x-axis ranging from €0 to €100,000 and online alternative finance volume per capita on the y-axis ranging from €0 to €1,000.00. The countries are represented by red dots, with larger dots indicating a higher volume.
## European Alternative Finance Market Volumes by Sub Regions in 2017

<table>
<thead>
<tr>
<th>Region</th>
<th>Countries</th>
<th>2016</th>
<th>2017</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 France</td>
<td>France, Monaco</td>
<td>€445.4m</td>
<td>€661.4m</td>
<td>48.5%</td>
</tr>
<tr>
<td>2 Germany</td>
<td>Germany</td>
<td>€321.8m</td>
<td>€596.8m</td>
<td>85.5%</td>
</tr>
<tr>
<td>3 Nordics</td>
<td>Denmark, Finland, Iceland, Norway, Sweden</td>
<td>€322.6m</td>
<td>€448.7m</td>
<td>39.1%</td>
</tr>
<tr>
<td>4 Benelux</td>
<td>Belgium, Netherlands, Luxembourg</td>
<td>€245.8m</td>
<td>€372.4m</td>
<td>51.5%</td>
</tr>
<tr>
<td>5 Italy</td>
<td>Italy, Malta</td>
<td>€127.2m</td>
<td>€241.0m</td>
<td>89.5%</td>
</tr>
<tr>
<td>6 Baltics</td>
<td>Estonia, Latvia, Lithuania</td>
<td>€136.1m</td>
<td>€217.4m</td>
<td>59.8%</td>
</tr>
<tr>
<td>9 Eastern Europe</td>
<td>Poland, Czech Rep., Slovakia, Hungary</td>
<td>€70.8m</td>
<td>€179.2m</td>
<td>153.2%</td>
</tr>
<tr>
<td>7 Georgia</td>
<td>Georgia</td>
<td>€102.6m</td>
<td>€173.3m</td>
<td>68.9%</td>
</tr>
<tr>
<td>8 Iberia</td>
<td>Spain, Portugal, Andorra</td>
<td>€135.3m</td>
<td>€170.5m</td>
<td>26.0%</td>
</tr>
<tr>
<td>10 Central Europe</td>
<td>Austria, Switzerland, Liechtenstein</td>
<td>€51.1m</td>
<td>€110.1m</td>
<td>115.5%</td>
</tr>
<tr>
<td>11 Ireland</td>
<td>Ireland</td>
<td>€76.8m</td>
<td>€106.8m</td>
<td>39.1%</td>
</tr>
<tr>
<td>12 South East Europe</td>
<td>Romania, Bulgaria, Greece, Turkey, Slovenia, Croatia, Bosnia &amp; Herzegovina, Serbia, Montenegro, Macedonia, Albania, Cyprus, Kosovo</td>
<td>€9.8m</td>
<td>€44.9m</td>
<td>357.7%</td>
</tr>
<tr>
<td>13 CIS(^{12})</td>
<td>Russia, Belarus, Ukraine, Moldova, Armenia</td>
<td>€5.8m</td>
<td>€32.8m</td>
<td>465.0%</td>
</tr>
</tbody>
</table>
Alternative Finance Volume in Europe by Model 2013-2017 (€ EUR)

- P2P Consumer Lending
- P2P Business Lending
- Invoice Trading
- Equity-based Crowdfunding
- Reward-based Crowdfunding
- Real Estate Crowdfunding
- P2P Property Lending
- Balance Sheet Business Lending
- Donation-based Crowdfunding
- Debt-based Securities
- Balance Sheet Consumer Lending
- MiniBond
- Profit Sharing Crowdfunding

- 2017
- 2016
- 2015
Total Online Alternative Business Funding (Excl. UK) 2012-2017 (€millions)
Debt vs Equity Online Alternative Business Finance 2012-2017 (€millions)

- 2012: €15m Debt, €18m Equity
- 2013: €48m Debt, €60m Equity
- 2014: €83m Debt, €136m Equity
- 2015: €159m Debt, €349m Equity
- 2016: €304m Debt, €754m Equity
- 2017: €1,264m Debt, €341m Equity

Legend:
- Debt Funding
- Equity Funding
Number of European Businesses Raising Alternative Finance (ex UK) 2012-17

- 2012: 1,084
- 2013: 2,858
- 2014: 5,801
- 2015: 9,442
- 2016: 14,521
- 2017: 24,107

Business Fundraisers

164% increase from 2012 to 2013
103% increase from 2013 to 2014
63% increase from 2014 to 2015
54% increase from 2015 to 2016
66% increase from 2016 to 2017
Peer-to-Peer Business Lending in the Context of Bank Lending to SMEs, 2012-17

- **Gross Lending to SMEs (Bank of England)**
- **New Loans to SMEs (BBA Data)**
- **Peer-to-Peer Business Lending**

**P2P Business Lending as a percentage of BBA New Loans to SMEs**

<table>
<thead>
<tr>
<th>Year</th>
<th>Peer-to-Peer Lending</th>
<th>Gross Lending</th>
<th>New Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>£18.2 bn</td>
<td>£38 bn</td>
<td>£0 bn</td>
</tr>
<tr>
<td>2013</td>
<td>£20.5 bn</td>
<td>£43 bn</td>
<td>£0 bn</td>
</tr>
<tr>
<td>2014</td>
<td>£22.7 bn</td>
<td>£53 bn</td>
<td>£0 bn</td>
</tr>
<tr>
<td>2015</td>
<td>£19.9 bn</td>
<td>£58 bn</td>
<td>£3.3%</td>
</tr>
<tr>
<td>2016</td>
<td>£18.3 bn</td>
<td>£59 bn</td>
<td>£4.4%</td>
</tr>
<tr>
<td>2017</td>
<td>£21.4 bn</td>
<td>£57 bn</td>
<td>£6.6%</td>
</tr>
</tbody>
</table>
Peer-to-Peer Business Lending as a Percentage of New Loans to Small Businesses in the UK, British Bankers Association (BBA) Data 2012-2017
Institutionalisation of Funding in Europe (2015-2017)

- **P2P Consumer Lending**
  - 2017: 55% Non-Institutional, 45% Institutional
  - 2016: 74% Non-Institutional, 26% Institutional
  - 2015: 88% Non-Institutional, 12% Institutional

- **Invoice Trading**
  - 2017: 54% Non-Institutional, 46% Institutional
  - 2016: 68% Non-Institutional, 32% Institutional
  - 2015: 37% Non-Institutional, 63% Institutional

- **P2P Business Lending**
  - 2017: 76% Non-Institutional, 24% Institutional
  - 2016: 71% Non-Institutional, 29% Institutional
  - 2015: 28% Non-Institutional, 72% Institutional

- **Real Estate Crowdfunding**
  - 2017: 98% Non-Institutional, 2% Institutional
  - 2016: 91% Non-Institutional, 9% Institutional

- **Equity-based Crowdfunding**
  - 2017: 94% Non-Institutional, 6% Institutional
  - 2016: 87% Non-Institutional, 13% Institutional
  - 2015: 90% Non-Institutional, 10% Institutional

- **P2P Property Lending**
  - 2017: 99% Non-Institutional, 1% Institutional
  - 2016: 54% Non-Institutional, 46% Institutional
Gender Dynamics in European Online Alternative Finance (excluding UK)
The Perception of Regulations by Model in Europe (2017)

- **P2P Business Lending**: 71% Adequate and appropriate, 2% Inadequate and too relaxed, 17% No specific regulation and needed, 7% Excessive and too strict for my platform activities.
- **Debt-based Securities**: 67% Adequate and appropriate, 33% Inadequate and too relaxed, 28% No specific regulation and needed, 17% Excessive and too strict for my platform activities.
- **P2P Consumer Lending**: 63% Adequate and appropriate, 13% Inadequate and too relaxed, 6% No specific regulation and needed, 6% Excessive and too strict for my platform activities.
- **Real Estate Crowdfunding**: 56% Adequate and appropriate, 28% Inadequate and too relaxed, 17% No specific regulation and needed, 8% Excessive and too strict for my platform activities.
- **P2P Property Lending**: 50% Adequate and appropriate, 42% Inadequate and too relaxed, 18% No specific regulation and needed, 8% Excessive and too strict for my platform activities.
- **Invoice Trading**: 47% Adequate and appropriate, 12% Inadequate and too relaxed, 24% No specific regulation and needed, 18% Excessive and too strict for my platform activities.
- **Donation-based Crowdfunding**: 44% Adequate and appropriate, 16% Inadequate and too relaxed, 16% No specific regulation and needed, 12% Excessive and too strict for my platform activities.
- **Equity-based Crowdfunding**: 38% Adequate and appropriate, 7% Inadequate and too relaxed, 53% No specific regulation and needed, 2% Excessive and too strict for my platform activities.
- **Reward-based Crowdfunding**: 27% Adequate and appropriate, 10% Inadequate and too relaxed, 43% No specific regulation and needed, 12% Excessive and too strict for my platform activities.
## Perceived Risks by Platforms in P2P/Marketplace Lending (2017)

<table>
<thead>
<tr>
<th>Risk</th>
<th>P2P Consumer Lending</th>
<th>P2P Business Lending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Campaign Fraud</td>
<td>23%</td>
<td>31%</td>
</tr>
<tr>
<td>Notable Increase in Default</td>
<td>14%</td>
<td>2%</td>
</tr>
<tr>
<td>Collapse due to Malpractice</td>
<td>55%</td>
<td>28%</td>
</tr>
<tr>
<td>Cyber-security Breach</td>
<td>43%</td>
<td>38%</td>
</tr>
<tr>
<td>Change in Regulation</td>
<td>26%</td>
<td>47%</td>
</tr>
</tbody>
</table>

### Risk Levels
- **Very High Risk**: Red
- **High Risk**: Orange
- **Medium Risk**: Yellow
- **Low Risk**: Green
- **Very Low Risk**: Blue

**Note**: The percentages indicate the perceived risk levels for each category.
Research Programme: World Bank and CCAF

**CCAF-World Bank Global Alternative Finance Market Volume Rankings**
- Launching in June 2019
- 185 Countries
- 2012-2017 Data
- Globally and Regionally Comparable

**World Bank – CCAF Global Alternative Finance Regulation Survey**
- Launching in June 2019
- 100 jurisdictions (regulators/central banks)
- General Regulatory Approaches
- Regulations on Crowdfunding, P2P Lending and ICOs
- Regulatory Innovations

**World Bank – CCAF FinTech Innovation in the Western Balkans & Eastern Partnership**
